GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1834
ANSWERED ON:04.08.2005
PROFIT OF REFINERIES
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether after the increase in the prices of crude oil in the international market, the profit margin of oil-refineries in the country has been increasing during the past few years;

(b) if so, the facts in this regard;

(c) the average profit margin of oil-refineries during the current year so far;

(d) the extent to which it is more in comparison to that of the oil-refineries at international level; and

(e) the basis on which the profit margin of oil-refineries is fixed in India ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (d): Yes, Sir. The gross refining margin of PSU oil refineries has increased from $3.94/bbl during 2002-03 to $5.77/bbl during 2004-05. The gross refining margin of PSU oil refineries during April-June 2005 was $5.84/bbl, the corresponding Singapore complex refining margin being $8.56/bbl. The comparative data showing the international crude prices, gross refining margins of PSU refineries, and international refining margins is at Annex.

(e) Up to 31.3.98, the refineries were under the administered pricing mechanism (APM) and the profits were determined on the fixed basis of 12% post-tax return on net worth. The domestic refining sector was decontrolled effective 1.4.98 and profit margins are based on refining margins.

Annex

International Crude Prices, Indian PSU refineries GRMs and International Refining Margins

$/bbl.

	Crude Oil (Indian Basket)	Gross Refining Margin of PSUs refineries	Singapore complex Refining margin
2002-03	26.66	3.94	3.06
2003-04	27.96	4.70	4.60
2004-05	39.22	5.77	8.23
April-June`05	49.76	5.84	8.56

Notes : 1. The Indian Basket represents published FOB prices of crude oils in the ratio of 57.43 of Oman/Dubai for sour crude oils and Brent (Dated) for sweet crude oils. The prices are as published by Platt`s.

2. International refining margins as provide by Merrill Lynch`s Equity research for Singapore Complex refining facilities based on Dubai crude as feedstock.